Governor's Office of
Economic Development
Centers of Excellence

Centers of Excellence Licensee Solicitation Policies and Guidelines 2009-2010

During the 2007 Legislation session, the Legislature passed, and Governor Huntsman subsequently signed, House Bill 125, Centers of Excellence Amendments. In this bill, the Legislature authorized the Governor's Office of Economic Development Centers of Excellence program to provide direct grants to Licensees and Sub-Licensees of technologies developed in Utah's colleges and universities in order to facilitate the transition of these technologies into industry for the purpose of economic development. For the Centers of Excellence program, this is primarily measured in the creation of high-quality jobs for Utah citizens.

Beginning in 2008-2009 and including 2009-2010, any company which is headquartered in Utah or has a significant divisional headquarters in Utah is eligible to apply. Startup companies or existing, ongoing concerns, which decide to newly license (see details below) a technology developed at, and licensed from, one of Utah's colleges or universities and which will create high quality jobs for Utah citizens, are eligible to apply for a grant. The competitive process for Centers of Excellence Grants is intended to encourage and develop technologies that create Utah jobs from the commercialization of the technology. The Centers of Excellence program no longer accepts stand alone grant proposals from university proposing teams.

Going forward, proposal funding limits will be determined on a year by year basis. For the 2009-2010 fiscal year, Licensees which have received less than $250k in funding from the COE program to date (excluding "business team support") are eligible to apply for the difference between the funding they have received and $500,000. Licensees which have never received funding from the COE program are permitted to apply for funding up to $100,000. All funding has a 1:1 matching requirement. No Licensee is permitted to apply for COE funding in more than 2 separate fiscal years. Please do not represent to investors or others interested in the company that there may be additional funding coming from the Centers of Excellence program. Grants are made on a competitive basis on an annual basis. Funding in one year does not imply availability or eligibility for future funding.

It is expected that there will be quarterly reports from each company on progress, and the Director can select in person reviews or "teleconference" reviews and discussion of any grant recipient. Eligible companies include firms of any size; from startup to existing large companies which decide to newly license (see details below) and take to market a Utah college or university developed technology.

General Guidelines Applicable to all licensees

This document outlines the key policies and guidelines for the 2009-2010 Centers of Excellence Licensee Solicitation. These general guidelines apply to all applicants. Following this section there are specific sections for startups/spinouts and for existing businesses that describe the guidelines as they are applicable to these different stage businesses.

1) Any licensee, or sub-licensee ("the Licensee", "the Company" or "proposing Company"), of a technology that has been developed by, and is being licensed from, a Utah college or university is eligible. See below for definitions of licensee and sub-licensee (excerpted from http://le.utah.gov/~2007/bills/hbillenr/hb0125.htm lines 81-86).

Definitions:
"Direct license" means the licensing between a company and a Utah college or university of technology developed at the college or university for the intent of commercializing the technology or facilitating its transition into industry.

"Licensee" means:
85 (a) a company that executes or is in the process of executing a direct license; or (b) a sublicensee of the technology from a direct license.

A Licensee of a technology from a Utah college or university is eligible to apply for COE funding as long as:

1. The Licensee has not received more than $2 million in equity investment or loans into the company
2. The combination of the Licensee and the university inventor team has not received $500,000 or more in Centers of Excellence funding for the Licensed technology
3. The Licensee has received no more than $ 1 million in "product related revenue" (i.e. from customers in ongoing revenue) from the licensed technology.

2) The licensee grants are intended to "defray the real and perceived risk" for a business licensing a university developed technology and taking it to market - so it is designed for the EARLY phase of the licensing and go to market process. A license that has been in place for a lengthy period of time would not be eligible. These funds are intended to compensate for the difficulty in obtaining angel/seed funding in Utah (for startups) or the perceived risk for an existing company in licensing these technologies as compared to their cost of capital. Generally this means the License should be a "new" license, generally executed within the last 12-24 months (or currently in the process of being licensed) and should be technology that is just emerging or has yet to emerge into the marketplace. Established, licensed products are not eligible.

3) A university license does NOT have to be in place during the proposal and selection process, but a license MUST be in place before any COE funds can be released. A letter of support from the professor and/or TTO/TCO for Licensees or from the Direct Licensee (for sub-licensees) is REQUIRED to be eligible to be considered for a COE Grant. In the case where getting a letter of support from the TCO/TTO would interfere with licensing negotiations, a letter of support from the PI (professor/inventor) will be acceptable, but should be explained.

If a License is executed with the college or university, then a digital copy of the signed and fully executed license MUST be included with the proposal (as an appendix). If it is in process, any draft of the licensing terms will make the application more competitive.

If the proposing Company is a sub-licensee of a Direct Licensee (for example, a professor has licensed all fields of use of a technology into a holding company, and the proposing company is going to sub-license one or more fields of use), then it is REQUIRED that the Direct License already be in place before being considered for a COE Grant and that either the sub-license be in place or a letter of support from the Direct Licensee is available. The COE Advisory Council must be convinced that the proposing Company WILL have rights to the technology which is proposed.

In all cases, the COE Advisory Council will want to see terms that are favorable to long term success of the proposing Company and will NOT be supportive of terms that require meaningful cash payments up front to either the university or Direct Licensee. Acceptable long term royalties and university equity positions will be more likely to be viewed as conducive to success. COE funding and the matching funds will not be permitted to flow back in any way to the licensing college or university, including, but not limited to, up front payments, milestone payments or patent reimbursement costs.

4) Competitive Grant Program: The Centers of Excellence program is a competitive grant program. Only the most qualified teams with the best potential for commercial success and job creation in Utah will be funded. Key elements of successful grant recipients will include a strong, seasoned management team, well thought out go-to market strategy and other elements that indicate the company can grow to a significant size and generate significant jobs for Utah's citizens.

5) Requirement to develop and "exploit" the technology in Utah:
The Statute authorizing and governing the Centers of Excellence program requires that the technology which is supported by the COE grant program must be "exploited" in Utah, meaning developed and delivered to market from Utah. The objective of this program is to help create jobs in Utah. The specific language in the statute requires a return of the grant funding if the technology is not exploited in the state. That language is excerpted from the statute below (http://goed.utah.gov/site-media/page-media/content/centers/COE_Enrolled_2007_hb0125.pdf):

(d) (i) A licensee that receives a grant under this part shall return the grant proceeds or a portion of the grant proceeds to the office if the licensee:

(A) does not maintain a manufacturing or service location in the state from which the licensee exploits the technology; or

(B) initially maintains a manufacturing or service location in the state from which the licensee exploits the technology, but within five years after issuance of the grant the licensee transfers the manufacturing or service location for the technology to an out of state location.

(ii) A repayment by a licensee that receives a grant shall come only from the proceeds of the license to that licensee.

(iii) A repayment by a licensee shall be prorated based only on the number of full years the licensee operated in the state from the date of the awarded grant.

6) Selection Process
Each proposing team will be required to make a brief presentation on a designated presentation day. All teams will be assigned to one of 3 program categories: Life Sciences (LS), Information Technology/ Electronics/Aerospace/ Defense (IT), or Materials/Manufacturing/Energy/Environment (MMEE). All teams in each category will be required to present their proposal on the assigned day for that category. The estimated time per presentation will 15-20 minutes, to be finalized based on applicant pool size. A presentation template will be provided to ensure all teams present the required information. After the initial screening of all proposing teams following the 3 days of presentations, additional review by the COE Advisory Council will include any or all of the following: detailed review of the business plan proposal, correspondence or phone discussions of the business plan, in person meetings.

7) One proposal per company:
Only one proposal will be accepted to the COE Grant program from each company, regardless of whether the proposals are for different technologies. Companies are encouraged to coordinate internally to ensure that only one proposal is submitted. If more than one is submitted to the COE program, the Director reserves the right to contact the company to request the selection of one of the proposals as the single eligible proposal or to select the proposal "first come first served" or via another mechanism at the discretion of the Director.

8) Strict limit on the length of the proposal
The proposal length will be a strict 25 pages, excluding appendices and title page/table of contents and summary table, but including the executive summary. "It is easier to write a long letter than a short letter" and applicants are encouraged to write a well written, concise and compelling proposal.

9) All company proprietary information, including all pages of the proposal, must be marked "Business Confidential" so that it can be properly protected as confidential information and each page must include the name of the company and contact person in the footer of the proposal.

10) This solicitation and its accompanying template are subject to reasonable revision as needed. Any changes will be posted on the Centers of Excellence Website under the Forms and Guidelines Section at: http://goed.utah.gov/programs/coe/Centers-of-excellence-forms-guidelines/. As a convenience, any proposing Licensee which has submitted an "intent to propose" notification will also be notified by email, although email is not considered a "guaranteed" notification tool and all Licensees should make sure to check the web site frequently during the solicitation period

Guidelines Specific to Startup or Spinout Companies

This set of guidelines applies to a company which can reasonably be considered a "startup" or "spinout." In particular, these guidelines apply to a company which is wholly or substantially being started to take to market the technology which is being proposed for support by the COE program. Existing, established businesses, which plan to license the proposed technology as a new product for the business should see the "guidelines for established business", below.

1) Matching funds of 1:1 are required. For every $1 of COE grant support, another $1 from any of the following sources is required:

- Revenue that is substantially related to the licensed technology and proposed business plan (including contracts such as an SBIR, development contracts etc)
- Founder capital contributions (equity) in CASH (NOT in-kind)
- Outside/arms length equity funding (cash).

Matching funds may NOT be a loan, but must be either equity or revenue (that is, there can be no repayment clause). NO in kind contributions will be considered for matching for this grant. University contributions, funds from a university foundation such as USURF or UURF and other state grants will NOT be counted as matching funds, but CONTRACTS may be permitted if they are revenue producing contracts, see details below . The goal of the matching provision is that the COE funds will be used to leverage the private sector and accelerate the "go to market" success of these technologies. Grants, of any kind, to the university team will NOT be eligible as matching funds. COE grant funds may be drawn down as matching funds are received and are not required to be received before the grant is awarded. As funds come in, say from multiple closes of an equity round or from sales over time, the COE funds can be delivered to the company.

As shown in the chart below, COE funding is intended to complement and enhance the earliest stages of funding for startups, helping to bridge these emerging technologies until they are of interest to extensive institutional investors. Note: existing companies licensing technology for a NEW additional product or product line should see the Guide for Established Businesses. It is in the state's interest to foster this level of investment in emerging companies. The state already encourages venture investing in Utah companies through the Utah Fund of Funds program (Utahfof.com).

1a) Eligibility of equity investment to serve as matching funds for Centers of Excellence funding.

Equity funding may come from any recognized source, including institutional investors, angel investors or founders, as long as investments are in compliance with SEC regulations, all investors are accredited as defined by the Federal Securities regulations (generally referred to as "Reg D"), and investors meet the legislative directive of "industry and Federal" sources.

This requirement precludes funding that is controlled in whole or in part by Utah-based colleges or universities or an agency of the State of Utah, with the exception of either such institutions as a client/customer. When such an entity is a paying customer they will pay for a product or service on terms similar to other such clients/customers, generally through a standard purchasing or RFP process, and other companies will be eligible to provide these customers with a similar product or service on a competitive basis.

Research funds, gifts, grants, investment funds controlled by a university or state agency and other sources that do not meet this statutory directive may be received by the Licensee without hurting their eligibility for COE funding, but may not be counted as matching funds.

Occasionally, Utah-based colleges or universities will invest as limited partners (investors) in venture capital or private equity firms or other such institutional investors. At this time, these institutional investors will be able to be evaluated as eligible sources of matching funds, as long as the colleges or universities (taken individually and collectively) do not influence the investment or selection process or deployment of the investment funds in any way. The funds from such an institutional investor will be considered by the Centers of Excellence program to be an "industry" source of funding, based on legislative directive, and, at this time, will be considered as valid as matching funds to COE grant funding.

Institutional investors which receive funding from Utah-based colleges or universities will need to submit their fund information to the Centers of Excellence program, which will make a formal determination as to the eligibility of that venture fund to serve as matching funds for the COE program.

Information that may be required includes, but is not limited to:

1) full information about limited partners, investment levels and investment sources
2) detailed information about management of the fund, management fees and relationships with the universities and other funds
3) detailed information about the investment decision making process
4) validation and verification mechanisms that ensure that the colleges or universities do not participate in any way in the investment selection process
5) Any other information the Director deems necessary to validate whether or not a fund is in compliance with COE guidelines.

For investors with multiple generations of funds (such as "Venture Fund I, Venture Fund II etc), such a determination will be based on each fund separately, not on each "firm". For example, "Venture Fund I" and Venture Fund II" will each need a separate determination

1b) Compliance with all applicable securities regulation (state, Federal or otherwise):

Any Licensee which is receiving Centers of Excellence grant funding will be held to the highest standards of compliance with any and all applicable securities and other regulations. In no case will taxpayer funds be provided under the COE program to a Licensee that has a risk of violating such rules and regulations. The burden of demonstrating compliance will fall on the grant recipient.

All investors must be accredited (this is a higher standard than SEC Reg D requirements), due to the difficulty in verifying the number of non-accredited investors and in determining whether the company is in compliance with the disclosure requirements for a non-accredited investor. The company must have a form of an accredited investor questionnaire for every investor, where such investor certifies to the company the provision under Reg D and other applicable provisions whereby they are an accredited investor. The CEO of the company must certify that all investors are accredited and the COE contract may be revoked, and the return of funds required, if the company is found to be in violation of this or other relevant statutes.

1c) Licensee must be in compliance with all applicable state, local and Federal laws and guidelines. Failure to comply or to be in compliance before or after receiving COE funds, during the duration of the contract, may be grounds for return of the entire grant.

1d) Government Contracts and SBIR/STTR contracts as matching funds
SBIR funds and other government contracts are accounted for in a very particular way due to the variability in how these funds are disbursed by different agencies. In order to be consistent, for the purpose of matching funds, SBIR funds are credited as if they are distributed evenly, by month, over the life of the contract. If 3 months of the SBIR contract overlaps the matching funds eligibility period, then 3 months of the funds will be counted as matching funds.

This is calculated on a pro-rata basis over the period of the contract, with that portion which overlaps the match period being counted as valid matching funds. For example, if a contract extends from January 1, 2010 to June 30, 2010, and the valid matching funds period was April 1, 2009 to June 30, 2010, then 100% of the contract "overlaps" the matching funds period and will be counted. The COE program does require verification of the actual <u>receipt of funds</u> to verify the match was received.

1e) Licensee must use professional, experienced and bar certified, legal counsel for relevant legal work including but not limited to a) securities and corporate work b) intellectual property protection c) other key transactions that generally require legal counsel. No COE grant funding will be provided to any Licensee which engages in "do it yourself" legal work, nor which has sloppy legal work or organizational or other issues which otherwise endangers the interests of the taxpayer. The State reserves the right to withhold funding until all legal and regulatory concerns raised by the COE Director have been resolved.

2) Collaboration with University and allocation of funds to university teams.

There are two ways for university teams which have developed technologies with strong commercial potential to receive money through the COE program.

a) The company (Licensee) can include in their proposal to the COE program that they want to contract back to the University team for further development, along with the purpose and milestones of this work. Under this option, the COE program will write the contract directly with the university and no overhead will be charged to the company as Utah's colleges and universities which participate in the COE program agree not to charge overhead to the program. This method will require that the university team have appropriate matching funds for their portion of the grant (2:1 matching for PhD granting schools, 1:1 matching at others) The company will NOT be required to having matching funds for the portion of the grant that goes directly to the university.

b) Alternately – the company can apply for and receive the entire COE grant directly, indicating the plan to sub-contract to the university team, and then contract back to the university team directly. Under these conditions, no matching funds are required at the university, but the company will be required to have a 1:1 match for their entire grant amount. When the licensee contracts back with the university, they will be required to pay any overhead that is required by the college or university, but NO COE funds NOR any of the 1:1 matching funds may be used to pay that overhead. However, the company may use other funds to pay appropriate overhead.

c) The goal of the COE grant funding is to accelerate the commercialization of the technology and to assist young companies with the transition <u>out</u> of the university lab. The company is permitted to contract back with the university for no more than 50% of the COE grant to fund advancement inside of the university. The company (Licensee) will include in their proposal to the COE program that they want to contract back to the University team for further development, along with the purposes and milestones of this work. As these funds are for commercialization, the company should provide strong reasoning why so much of the grant is needed inside of the university laboratory.

3) Release of COE Grant Funds:
Funds from the COE grant will be released when a) the License is complete and b) matching funds are <u>received</u> by the grant recipient and such receipt is documented to the COE program and c) the COE Director is confident all application statutes, rules and regulations have been complied with. Funds that are eligible to be considered as matching will include funds received by the proposing Company as early as April 1, 2009 and extending through the grant year, June 30, 2010.
The purpose of the Centers of Excellence program is to help foster the creation of high quality jobs in Utah. Documentation provided to the COE program in support of the grant recipient's invoice should demonstrate that the company is genuinely making progress towards a

sustainable, job creating company or product line based in the state of Utah. For example, any company that "gives away" the intellectual property that it has licensed, perhaps for one time payments, is not demonstrating a sustainable plan to create jobs in Utah and will not be eligible for disbursement of COE funds.

GOED has responsibility to the Governor, the Legislature and the taxpayer to ensure that funds are disbursed to companies that reasonably seem to have a viable, job creating business model and that are well managed with appropriate legal and financial controls in place. It is at the discretion of the COE Director and GOED Managing and Executive Directors whether a company meets these requirements of viability and being well managed. The burden of demonstrating these qualities rests on the grant recipient.

4) Equity and Return of Grant provisions
The State will NOT take an equity position in the recipient company - the State's return on the COE program is in job creation and economic development for the state of Utah. It is important to review the language in the general guidelines about the return of grant provisions to read the terms of grants to licensees or sub-licensees, including the provision for return of grant if the grant recipient does not stay within the state for at least 5 years.

5) Management team: The COE advisory council will conduct the review of all proposals and make recommendations to GOED about funding decisions. This council is composed of seasoned business executives in the technology industry and they expect to see seasoned, experienced management teams in order to entrust taxpayer funds to the proposing Company.

It is expected that proposals which include seasoned management teams with demonstrated experience in business building and successful technology commercialization are those which are most likely to receive funding. Relevant skills and experience will include capital acquisition (fund raising, business financing etc), technology marketing and sales, company formation and company exit (M&A, IPO etc), in addition to any technology-related expertise. In addition, business leadership should be wholly committed to the proposing company, meaning that they do not have other employment of more than 49% time of a 40 hour week or just under 20 hours per week - similar to SBIR requirements.

It is important to note that the management teams composed wholly or primarily of individuals who are employed full time elsewhere, such as at a university, or who are students or newly minted graduates, will be unlikely to be competitive compared to seasoned entrepreneurial and business management teams.

If there are changes in the management team or in the "responsible party" under the contract, the COE Director must be informed of these changes and the changes must be approved. The strength of the management team is integral to the award of the grant and the loss of key members of the management team may render the company unable to fulfill its commitments to the COE program. If the change in responsible party is not approved, the result may be a revocation of the contract and a return of the grant funds to the State.

6) Founder Compensation:

A Significant Founder is defined for the purposed of the COE grant program as any individual who received or holds 10% or more of the founding shares of the company or who holds 10% or more of the shares of the company after the execution of the license with the university. An amount equal to not more than 25% of the sum of COE funding + 1:1 Required Matching funding, may be used for compensation for a significant founder who is wholly committed to the proposing Company (meaning that they do not have other regular employment of more than 49% of full time, just under 20 hours per week - similar to SBIR requirements). Significant Founders who are not wholly committed to the proposing Company (meaning that they DO have other regular employment of more than 49% time) may not receive any compensation from COE funding or Required Matching funds. Additional funding over and above this COE Funding + Required Match may be used for reasonable additional founder compensation.

If there are two significant founders, it may be permitted by the Council and/or the Director for as much as 50% of the sum of COE funding + 1:1 Required Matching funding, to be used for significant founder compensation for TWO founders, as long as both are wholly committed to the proposing Company and generally only when there is a mix of skills between the two significant founders that is required for the success of the company (such as business skills in one significant founder and technical skills in another significant founder).

It is expected that significant founder compensation will be **below market rate** for a comparable industry position, as the COE grant does not require equity, thus providing a favorable environment for the founder(s). These terms will be verified by the use of funds detail provided to the COE Director and can be reviewed at any time. Under no circumstances may any founder receive compensation that is or resembles "consulting" compensation. Any violation of these compensation provisions may result in a revocation of the contract and a return of the grant funds to the State.

7) Proposal Template:
The Proposal for the COE grant must follow the companion proposal template. This template will include the following key elements, although their order may be changed. Proposing Licensees should follow the detail in the template:

7a) Application Summary Table
This table summarizes key questions that our COE Advisory Council often has about a Licensee which is applying for a COE grant. It also summarizes a variety of "best practices" in terms of corporate governance that are needed for a successful company.

7b) Use of funds: The proposal will also include a separate proposed use of funds of the COE Grant + Matching funds so that the Council can understand the purpose of the grant.

7c) Business Plan: The COE Grants will not have a detailed business plan template, although it will identify key elements that should be included. The proposing company should be able to provide a business plan and executive summary that they would also provide to outside investors. The quality of this business plan (and associated presentation) will be part of the evaluation of the proposing Company's likelihood of success.

7d) Appropriate Appendices as needed

7e) Use of Funds for University funding (if applicable)

7f) Presentation Template: The COE grant presentation will have a detailed presentation format that will be provided to each proposing team about 2 weeks after the posting of this solicitation.

Guidelines for Established Businesses

This set of guidelines applies to an established business which wants to license a previously unlicensed, university developed technology in order to create a new product or product line within their business. This element of the program is intended to encourage established Utah businesses, or significant Utah-based divisions of businesses which are headquartered elsewhere, to more actively consider licensing university-developed technologies, by helping to defray the risk in taking these technologies to market.

1) In order to encourage the successful transition of the technology from the university team, and to ensure the commitment of the Licensee, matching funds of 1:1 are required. For every $1 of COE grant support, another $1 in matching funds is required. For established businesses licensing a technology to create a new or additional product line or to substantially enhance an existing product line, matching funds from any of the following sources is required:

    a. Internal funds/Revenue: If the company is doing significant internal development with the technology, then internal funds can be counted as matching funds. The following funds may be counted as matching funds: Personnel time and specialized supplies or extremely specialized equipment.
        i. Personnel time is to be counted at a maximum of 80% of actual FTE salary or actual time allocated to the project, whichever is less. Only direct salary will be counted as matching funds, not benefits, management or overhead
        ii. Direct equipment or supply purchases made for the program. It is unusual for the COE Advisory Council to fund capital equipment purchases, although if the company is funding a significant portion of the equipment, it may be permissible to fund a small portion of specialized equipment costs. Supplies and materials that are unique to this project are eligible.
        iii. The state assumes that the company has sufficient resources to fund other ancillary costs separately such as travel, communications, facilities, standard equipment, business overhead and management time and these types of expenses will not be eligible as matching funds.
    b. Equity infusion/allocation
        i. The existing business may allocate a portion of their capital budget to serve as matching funds for the COE Grant – but all of the funds so earmarked must be spent to move the technology forward and into market.
        ii. If equity is obtained by the existing company and those funds are going to be used in whole or in part as matching funds, the Licensee must also comply with the requirements listed under the "startup section" for matching funds and compliance with applicable securities regulations.
    c. Joint Venture or subsidiary structure

i. Frequently it makes sense to isolate a new product/technology within an existing business through a joint venture or subsidiary structure. If such a structure is chosen, then the matching funds should be provided to the JV/subsidiary as equity or cost reimbursements. The COE funds will be disbursed only as such funds are actually received into the JV/subsidiary.

d. Licensee must be in compliance with all applicable state, local and Federal laws and guidelines. Failure to comply or to be in compliance before or after receiving COE funds, during the duration of the contract, may be grounds for a revocation of the contract and a return of the grant funds to the State.

2) Collaboration with University and allocation of funds to university teams.

If the company wants to use ALL of the COE grant to fund advancement inside of the university, this is permitted providing the company also provides a 1:1 match <u>to the university.</u> The company (Licensee) will include in their proposal to the COE program that they want to contract back to the University team for further development, along with the purposes and milestones for this work. This can be done in two ways:

a. The COE program will write the contract for its contribution directly with the university and no overhead will be charged to the company on the COE Grant portion of the funds (Utah's colleges and universities which participate in the COE program agree not to charge overhead to the program.) This method will require that the university team have appropriate matching funds for their portion of the grant (2:1 matching for PhD granting schools, 1:1 matching at others) The company will also provide 1:1 matching funds directly to the university as their match for the COE program funds. In addition, any overhead required by the university on the company sponsored research must be paid separately from the COE grant + Match.
   i. Alternately – the company can apply for and receive the entire COE grant directly, and then contract back to the university team directly. Under these conditions, no matching funds are required at the university, but the company will be required to have a 1:1 match for their entire grant amount and use their match within the university project. When the licensee contracts back with the university, they will be required to pay ALL overhead that is required by the college or university, but NO COE funds NOR any of the 1:1 matching funds may be used to pay that overhead. However, the company may use other funds to pay appropriate overhead.
   ii. It should be noted that this type of funding will likely be the exception rather than the rule as the goal of the COE program is to accelerate the movement of the technology out of the lab and into the marketplace. If the company proposes this, they must provide a very convincing argument that the university is the only place the appropriate work can be done – such as the availability of specific equipment.

b. If the company wants to use a portion of the COE grant to fund advancement inside of the university, this is permitted, up to a maximum of 50% of the COE Grant. The company (licensee) will include in their proposal to the COE program that they want to contract back to the University team for further development, along with the purposes and milestones of this work.
    i. The COE program will write the contract directly with the university and no overhead will be charged to the company on that portion of the COE grant (Utah's colleges and universities which participate in the COE program agree not to charge overhead to the program.) This method will require that the university team have appropriate matching funds for their portion of the grant (2:1 matching for PhD granting schools, 1:1 matching at others) The company will NOT be required to having matching funds for the portion of the grant that goes directly to the university. The company will be required to have a 1:1 match for the remaining portion of the COE grant that the company receives.
    ii. Alternately – the company can apply for and receive the entire COE grant directly, and then contract back to the university team directly with up to 50% of the COE funds. Under these conditions, no matching funds are required at the university, but the company will be required to have a 1:1 match for their entire grant amount. When the licensee contracts back with the university, they will be required to pay any overhead that is required by the college or university, but NO COE funds NOR any of the 1:1 matching funds may be used to pay that overhead. However, the company may use other funds to pay appropriate overhead. No more than 50% of the COE Grant + Matching funds will be permitted to be contracted back to the university – the remainder of the funds must be used for internal work and development.

3) Release of COE Grant Funds:
Funds from the COE grant will be released when a) the License is complete and b) matching funds are received by the grant recipient and such receipt is documented to the COE program and c) the COE Director is confident all application statutes, rules and regulations have been complied with. If internal funds are used as matching funds, then COE funds can be released as funds are expended by the company on a reimbursement basis, provided appropriate documentation is provided to the Director. Funds that are eligible to be considered as matching will include funds received/used by the proposing Company as early as April 1, 2009 and extending through the grant year, June 30, 2010.

4) Equity and Return of Grant provisions
The State will NOT take an equity position in the recipient company - the State's return on the COE program is in job creation and economic development for the state of Utah. It is important

to review the language in the general guidelines about the return of grant provisions to read the terms of grants to licensees or sub-licensees, including the provision for return of grant if the grant recipient does not stay within the state for at least 5 years.

5) Management team: The COE advisory council will conduct the review of all proposals and make recommendations to GOED about funding decisions. This council is composed of seasoned business executives in the technology industry and they expect to see seasoned, experienced management teams in order to entrust taxpayer funds to the proposing Company.

It is expected that proposals which include a strategic plan for delivering the new technology into the marketplace, that will include well thought out strategies for channel, product and manufacturing. An existing business which has none of the needed elements to support the new technology may not be considered competitive in the COE grant program. It is important to note that the management teams composed wholly or primarily of individuals who are employed full time elsewhere, such as at a university, or who are students or newly minted graduates, will be unlikely to be competitive compared to seasoned entrepreneurial and business management teams.

6) Proposal Template:
The Proposal for the COE grant must follow the companion proposal template. This template will include the following key elements:

6a) Application Summary Table
This table summarizes key questions that our COE Advisory Council often has about a Licensee which is applying for a COE grant. It also summarizes a variety of "best practices" in terms of corporate governance that are needed for a successful company.

6b) Use of funds: The proposal will also include a separate proposed use of funds of the COE Grant + Matching funds so that the Council can understand the purpose of the grant.

6c) Business Plan: The COE Grants will not have a detailed business plan template, although it will identify key elements that should be included. The proposing company should be able to provide a business plan and executive summary that they would also provide to outside investors. The quality of this business plan (and associated presentation) will be part of the evaluation of the proposing Company's likelihood of success.

6d) Appropriate Appendices as needed

6e) Use of Funds for University funding (if applicable)

6f) Presentation Template: The COE grant presentation will have a detailed presentation format that will be provided to each proposing team about 2 weeks after the posting of this solicitation.

Frequently Asked Questions

The FAQs page for the COE program is located under the 2009 solicitation at http://goed.utah.gov/programs/coe/Centers-of-excellence-forms-guidelines/ and is updated frequently; please visit this page to see updates.

This solicitation and its accompanying template are subject to reasonable revision as needed. Any changes will be posted on the Centers of Excellence Website under the Forms and Guidelines Section at: http://goed.utah.gov/programs/coe/Centers-of-excellence-forms-guidelines/. As a convenience, any proposing Licensee which has submitted an "intent to propose" notification will also be notified by email, although email is not considered a "guaranteed" notification tool and all Licensees should make sure to check the web site frequently during the solicitation period